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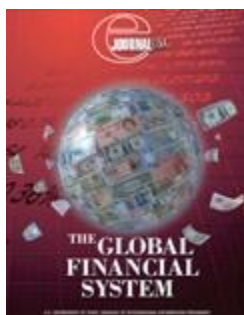
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## THE GLOBAL FINANCIAL SYSTEM

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**EJOURNALUSA, MAY 2009**



### **The Global Financial System: Six Experts Look at the Crisis**

Experts describe the mechanics of the global financial system presenting their views concerning the cyclical nature of markets, the interdependence of global trade relationships, and the role of regulation.

Full text is available on <http://www.america.gov/publications/ejournalusa/0509.html>.  
Click [here](#) to download PDF format (1.01MB; 38 pages)

#### **Moving Forward on the Economy, U.S. Leaders Look Ahead**

We must lay a new foundation for growth and prosperity ... a foundation built upon five pillars that will grow our economy and make this new century another American century: new rules for Wall Street that will reward drive and innovation; new investments in education that will make our workforce more skilled and competitive; new investments in renewable energy and technology that will create new jobs and industries; new investments in health care that will cut costs for families and businesses; and new savings in our federal budget that will bring down the debt for future generations.

—President Barack Obama, "A New Foundation for the Economy," Washington, D.C., April 14, 2009. 2

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### **INSIDE THIS PUBLICATION** **Volume 14, Number 5**

**From The Editors**  
[About This Issue](#)

## **Overview**

### [The End of American Capitalism?](#)

Mark Twain, Lake Wobegon, and the Current Crisis

Mark Blyth, Professor of International Political Economy, Brown University

While the type of financial crisis we face today is unprecedented, crises of capitalism are not. They are commonplace.

## **International Issues**

### [Debt Man Walking](#)

John B. Judis, Senior Editor, The New Republic

Economists know the fatal flaw in our international monetary system — but they can't agree on how to fix it.

### [Globalization and the U.S. Financial System](#)

Charles R. Geisst, Professor of Finance, Manhattan College

Globalization helped fuel the current financial crisis, and it will undoubtedly be employed to help resolve it.

## **The Role of Regulation**

### [Revise Regulation: The Theory of Market Equilibrium Is Wrong](#)

George Soros, Chairman, Soros Fund Management

While international regulation must be strengthened for the global financial system to survive, we must also beware of going too far. Markets are imperfect, but regulations are even more so.

### [Global Financial Trouble: Causes, Cures, Responses](#)

Joel P. Trachtman, Professor of International Law, Tufts University

No doubt, economic historians will argue for years to come about the causes of the global financial crisis. The primary causal factor was macroeconomic, but appropriate regulation might have averted or ameliorated the crisis.

#### **Moving Forward on the Economy, U.S. Leaders Look Ahead**

We are a strong and resilient country. We came into the current crisis without the authority and tools we needed to contain the damage to the economy from the financial crisis. We are moving to ensure that we are equipped with both in the future, and in the process, that we modernize our 20th-century regulatory system [to] meet 21st-century financial challenges.

—Treasury Secretary Timothy Geithner, Hearing before the House Financial Services Committee, Washington, D.C., March 26, 2009.

## **A Look at International Trade**

### [The Evolving Global Financial System](#)

Richard Vedder, Distinguished Professor of Economics, Ohio University

During the late 19th and early 20th centuries, there was little coordination of international finances. That changed substantially after World War II, and the change is continuing today.

## Timeline

### [Timeline of Financial Asset Bubbles](#)

An economic bubble can occur when the price of an asset rises far higher than the item is actually worth. The assumption is that the next buyer will pay an even higher price for the asset. Bubbles can be triggered by inexplicable phenomena (fads or crazes), or kindled by the manipulative actions of individuals or corporations.

## Resources

[Glossary Books, articles, reports, Web sites, and videos related to the global economy.](#)

### **Moving Forward on the Economy, U.S. Leaders Look Ahead**

In sum, the challenge faced by regulators is to strike the right balance: to strive for the highest standards of consumer protection without eliminating the beneficial effects of responsible innovation on consumer choice and access to credit. Our goal should be a financial system in which innovation leads to higher levels of economic welfare for people and communities at all income levels.

— Federal Reserve Board Chairman Ben Bernanke, "Financial Innovation and Consumer Protection," Washington, D.C., April 17, 2009.

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